

Message Text

UNCLASSIFIED

PAGE 01 BONN 11331 090943Z
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05
EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 PA-02 PRS-01 L-03 H-02 /101 W
-----122930 090945Z /10

R 081505Z JUL 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 9695
DEPARTMENT TREASURY
INFO AMEMBASSY BRUSSELS
AMEMBASSY PARIS

UNCLAS BONN 11331

USEEC, USOECD

E.O. 11652: N/A
TAGS: ECON, EFIN, GW
SUBJECT: FIRST GERMAN GOVERNMENT GNP AND BUDGET
PROJECTIONS FOR 1978

REF: BONN 1935

1. THE FEDERAL MINISTRY OF FINANCE ACCORDING TO PRESS
REPORTS HAS SUBMITTED ITS FIRST WORKING HYPOTHESES
REGARDING 1978 BUDGET AND GNP DEVELOPMENTS TO THE FINAN-
CIAL PLANNING COUNCIL WHICH IS SUPPOSED TO COORDINATE
THE FEDERAL, LAENDER AND LOCAL GOVERNMENT BUDGET PLANS.

2. THE FEDERAL FINANCE MINISTRY PROJECTION ASSUMES 8.5
PERCENT GROWTH IN 1978 NOMINAL GNP. FEDERAL EXPENDI-
TURES ARE PROJECTED AT DM 187 BILLION AND RECEIPTS AT
DM 160 BILLION WITH A DEFICIT OF DM 27 BILLION.
LAENDER 1978 EXPENDITURES ARE PROJECTED BY THE FEDERAL
MINISTRY OF FINANCE AT DM 175.5 BILLION AND RECEIPTS AT
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 11331 090943Z

DM 166.5 BILLION WITH A DEFICIT OF DM 9 BILLION.
LOCAL GOVERNMENT EXPENDITURES ARE PROJECTED AT DM 122
BILLION AND RECEIPTS AT DM 118 BILLION WITH A DEFICIT
OF DM 4 BILLION.

3. COMMENT -- THESE FIRSTIPORKING HYPOTHESES ARE, OF
COURSE, A MIXTURE OF NEGOTIATING POSITIONS, OF GOAL OR

AIMS, AND OF PROJECTIONS OF WHAT IS ACTUALLY LIKELY TO HAPPEN. THEY ARE IMPORTANT, HOWEVER, BECAUSE AS THEY WORK THEMSELVES INTO THE BUDGETARY PROCESS THEY INFLUENCE THE OPERATION OF AUTOMATIC STABILIZERS (FOR EXAMPLE, IF GNP GROWTH IS PROJECTED VERY HIGH, REVENUE PROJECTIONS ALSO TEND TO BE HIGH THUS ALLOWING HIGHER EXPENDITURES. IF GNP GROWTH THEN FALLS SHORT OF THE PROJECTIONS, SO WILL REVENUES AND GOVERNMENT DEFICITS THEREFORE INCREASE PROVIDING AN ADDITIONAL STIMULOUS TO THE ECONOMY. THE REVERSE, OF COURSE, OCCURS IF GNP GROWTH IS PROJECTED TOO LOW).

4. THE PROJECTION CONTAINS NO REAL GNP ESTIMATE. ASSUMING, HOWEVER, THAT THE GNP DEFLATOR IS NOT LIKELY TO SINK BELOW 3.5 PERCENT, IT IMPLICITLY ASSUMES AN INCREASE IN REAL GNP OF ABOUT 5.0 PERCENT (I.E., A PICK UP IN THE GROWTH RATE FROM THE 4.5 PERCENT THE GOVERNMENT PROJECTS FOR 1977).

5. BECAUSE OF TRANSFERS BETWEEN DIFFERENT LEVELS OF GOVERNMENT, THE PROJECTION OF EXPENDITURES AND RECEIPTS OF DIFFERENT LEVELS OF GOVERNMENT CONTAIN SOME DOUBLE COUNTING. THE DEFICIT PROJECTIONS, HOWEVER, DO NOT. THE TOTAL DEFICIT OF ALL LEVELS OF GOVERNMENT (BUT EXCLUDING THE SOCIAL INSURANCE SYSTEM) IS PROJECTED TO INCREASE FROM DM 36.4 BILLION IN 1977 TO DM 40 BILLION UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BONN 11331 090943Z

IN 1978 WITH THE DEFICIT OF THE FEDERAL GOVERNMENT ABSORBING MOST OF THE INCREASE.
STOESSEL

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT BUDGET, GNP, ECONOMIC ESTIMATES
Control Number: n/a
Copy: SINGLE
Sent Date: 08-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BONN11331
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770244-0768
Format: TEL
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770779/aaaacquiv.tel
Line Count: 97
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 37e8146f-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 BONN 1935
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 16-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1926913
Secure: OPEN
Status: NATIVE
Subject: FIRST GERMAN GOVERNMENT GNP AND BUDGET PROJECTIONS FOR 1978
TAGS: ECON, EFIN, GE
To: STATE TRSY
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/37e8146f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009